term *inter alia,* aiming at reducing their revenue deficit over the reform period, by way of improving tax and non-tax receipts and reprioritizing expenditure. In addition, RBI as a banker and debt manager to State Governments, has been providing a forum to discuss their fiscal problems in the bi-annual conference of State Finance Secretaries and constituting technical committees to address the issues and problems emerging from such conferences.

Soft interest rate regime

1978. SHRI C. RAMACHANDRAIAH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the soft-interest rate regime in the country now over,

(b) if so, the reasons therefor;

(c) whether it is also a fact that there is pressure on liquidity on the banking system and this is forcing them to raise interest rates; and

(d) what measures have Government have taken/propose to take to address the issue?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Interest rated depend on a number of factors such as the outlook for inflation, growth prospects and investment demand. Short-run movements in interest rates, either up or down, cannot be predicted without taking cognizance of possible movements in all other macro economic variables. The conduct of monetary policy, however, is guided by the key objective to pursuing an interest rate environment that is conducive to macro economic & price stability and maintaining the momentum of growth.

(c) and (d) At present, the liquidity availability in the economy, including the banking sector is considered adequate. This is reflected in the excess liquidity placed in reverse repo under the liquidity adjustment facility (LAF) of the Reserve Bank of India (RBI), which ensures appropriate liquidity to meet the legitimate credit needs and supports investment and export demand in the economy.